



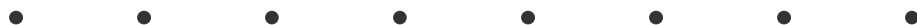
# SAR and Nunn-McCurdy Policy Update



## DAMIR – AV SOA Training Conference

*Larry Axtell, OUSD(AT&L)*

*Chris Knoche, DAMIR*



# Agenda

- **SARs:**
  - FY 2009 submissions (December 2008, June 2009, September 2009)
  - New Reporting Requirements (e.g., Subprograms, DAMIR Cost and Funding Detail)
- **Nunn-McCurdy:**
  - Background
  - Weapon System Acquisition Reform Act of 2009
  - Current Breach Status

## SARs: December 2008 Submission

- Due to a change in the Administration, President Obama submitted budget on May 7, 2009
  - Included major program decisions (e.g., CSAR-X, DDG 1000, FCS, TSAT, VH-71, etc.)
  - However, PB10 contained details of FY 10 only (plus prior years FY 08-09)
- Initial DoD position was to submit SARs only for programs with Nunn-McCurdy breaches (due to limit on obligations)
  - H-1 Upgrades SAR submitted to Congress on July 6, 2009 (for a significant Nunn-McCurdy breach)
- However, in September 2009 at the request of the HASC and SASC, DoD agreed to submit PB10 Limited SARs

# SARs: PB10 Limited SAR List

## **Batch 1 (27 Programs)**

AB3 (ARMY)  
 BLACKHAWK UPGRADE (ARMY)  
 BRADLEY UPGRADE (ARMY)  
 CH-47F (ARMY)  
 EXCALIBUR (ARMY)  
 FBCB2 (ARMY)  
 FMTV (ARMY)  
 GMLRS (ARMY)  
 HIMARS (ARMY)  
 LONGBOW APACHE (ARMY)  
 STRYKER (ARMY)  
 AGM-88E (NAVY)  
 AIM-9X (NAVY)  
 EA-18G (NAVY)  
 EA-6B ICAP III (NAVY)  
 F/A-18 E/F (NAVY)  
 IDECM (NAVY)  
 JSOW (NAVY)  
 LHA 6 (NAVY)  
 LPD 17 (NAVY)  
 MH-60R (NAVY)  
 MH-60S (NAVY)  
 AMRAAM (AF)  
 C-5 AMP (AF)  
 C-5 RERP (AF)  
 C-17A (AF)  
 C-130J (AF)

## **Batch 2 (27 Programs)**

WIN-T INC 1 (ARMY)  
 WIN-T INC 2 (ARMY)  
 CEC (NAVY)  
 CH-53K (NAVY)  
 COBRA JUDY (NAVY)  
 CVN 68 (NAVY)  
 JOINT MRAP (NAVY)  
 RMS (NAVY)  
 SM-6 (NAVY)  
 SSN 774 (NAVY)  
 TACTICAL TOMAHAWK (NAVY)  
 T-AKE (NAVY)  
 TRIDENT II MSL (NAVY)  
 VTUAV (NAVY)  
 F-22A (AF)  
 FAB-T (AF)  
 GBS (AF)  
 JPATS (AF)  
 LAIRCM (AF)  
 MM III PRP (AF)  
 MP RTIP (AF)  
 NAS (AF)  
 NAVSTAR GPS (AF)  
 SBSS BLOCK 10 (AF)  
 SDB I (AF)  
 JTRS GMR (DoD) (Army lead)  
 JTRS NED (DoD) (Army lead)

## **Batch 3 (33 Programs)**

ATIRCM/CMWS (ARMY)  
 FCS (ARMY)  
 JCA (ARMY)  
 JLENS (ARMY)  
 LUH (ARMY)  
 PATRIOT/MEADS CAP (ARMY)  
 PATRIOT PAC-3 (ARMY)  
 CVN 78 (NAVY)  
 DDG 1000 (NAVY)  
 DDG 51 (NAVY)  
 EFV (NAVY)  
 LCS (NAVY)  
 MUOS (NAVY)  
 NMT (NAVY)  
 P-8A (NAVY)  
 V-22 (NAVY)  
 AEHF (AF)  
 B-2 RMP (AF)  
 B-2 EHF INCREMENT 1 (AF)  
 C-130 AMP (AF)  
 GLOBAL HAWK (AF)  
 GPS IIIA (AF)  
 JASSM (AF)  
 JDAM (AF)  
 NPOESS (AF)  
 SBIRS HIGH (AF)  
 WGS (WIDEBAND GAPFILLER) (AF)  
 BMDS (DoD) (MDA Lead)  
 CHEM DEMIL-ACWA (DoD) (Direct Report)  
 CHEM DEMIL-CMA (DoD) (Army Lead)  
 F-35 (JSF) (DoD) (Air Force lead)  
 JTRS HMS (DoD) (Army lead)  
 MIDS (DoD) (Army Lead)

## SARs: PB10 Limited SAR Ground Rules

- No electronic transmission via DAMIR; separate DAMIR site created
- Delivered in three Batches (Batch 1 forwarded on 10/7/09; Batch 2 forwarded on 10/19/09; Batch 3 in final review)
- No initial or final SARs (*e.g., ER/MP UAS, WIN-T Inc 3, BAMS, JHSV, JPALS, VH-71, ASIP, CSAR-X, KC-X, Predator, Reaper, AMF JTRS*)
- H-1 Upgrades and E-2D AHE already submitted
- Prepared by AT&L/ARA and reviewed by Services
- No formal OSD staff coordination
- No SAR press information package will be released

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## **SARs: PB10 Limited SAR Content**

- Disclaimers on every page
- Brief Executive Summary giving narrative highlights since the last SAR
- Cost and funding updated for FY 2009-2010 only (from DAMIR FY11 POM)
- No explanations of breaches
- Updated schedule from latest DAES
- No explanations of cost, schedule, or performance changes
- Contract data from latest DAES, but no explanations of cost/schedule variances (earned value)
- Deliveries & Expenditures from latest DAES

## SARs: June/September 2009 Submissions

- DoD submitting FY 2009 quarterly SARs only for programs with Nunn-McCurdy breaches:
  - Deferring quarterly SARs for schedule slips, as well as initial and final reports (issue with what to report for total program costs)
  - June 2009 SAR submitted to Congress for E-2D AHE on August 14, 2009 (for a critical Nunn-McCurdy breach)
  - Currently, there are no programs planning to submit a September 2009 SAR

## **SARs: New Reporting Requirements** *Subprograms*

- In response to DoD, FY 2009 National Defense Authorization Act permits DoD to designate subprograms for MDAPs
- That is, USD(AT&L) can designate subprograms when an MDAP requires delivery of two or more end items that differ significantly in form and function
- In DoD acquisition environment, two primary instances when establishing subprograms may be advisable:
  - Evolutionary acquisition when blocks or increments are acquired in a sequential manner (e.g., JSOW, IDECM)
  - Major components are dissimilar and cannot be combined in a rational way to track unit costs (e.g., ATIRCM/CMWS, NAVSTAR GPS)



## SARs: New Reporting Requirements *Subprograms*

- FY 2009 NDAA requires Congress be notified 30 days prior to “taking effect” (i.e., approval of APB)
  - DoD Components must notify OSD 60 days prior to submitting proposed APB to MDA
- For ACAT ID MDAPs, USD(AT&L) designates subprograms based on recommendations from OIPT
- For ACAT IC MDAPs, DoD Component MDA designates subprograms based on recommendations from MDA staff

*[Note: Recommendations from the OIPT or MDA staff should include guidance on whether statutory and regulatory requirements of DoDI 5000.02 should apply at the subprogram or program level, i.e., Acquisition Strategy, Beyond-LRIP Report, CARD, etc.]*

## **SARs: New Reporting Requirements** *Subprograms*

- When one subprogram is designated within an MDAP, all remaining elements (increments or components) of the program shall also be appropriately organized into one or more other subprograms (pursuant to 10 USC §2430a)
- The DoDI 5000.02 requirement for each evolutionary increment to have its own APB is satisfied through the establishment of subprograms
- If a subprogram experiences a critical Nunn McCurdy unit cost breach, the certification required for the program to continue will need to be made at the program level.

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## **SARs: New Reporting Requirements** *DAMIR Cost and Funding*

- All cost and funding are to be broken out into year-by-year format
- In addition, procurement is to be broken into:
  - End item related recurring flyaway
  - Non item related recurring flyaway
  - Nonrecurring flyaway, and
  - Support (initial spares and other)

# SARs: New Reporting Requirements

## *DAMIR Cost and Funding*

Annual Funding TY\$							
Fiscal Year	Quantity	End Item Recurring Flyaway TY \$M	Non End Item Recurring Flyaway TY \$M	Non Recurring Flyaway TY \$M	Total Flyaway TY \$M	Total Support TY \$M	Total Program TY \$M
1995	--	35.7	--	39.9	75.6	--	75.6
1996	24	176.8	--	120.7	297.5	41.4	338.9
1997	24	181.0	--	69.6	250.6	63.9	314.5
1998	44	279.3	--	11.9	291.2	101.1	392.3
1999	66	428.6	--	3.7	432.3	81.3	513.6
2000	74	498.6	--	0.5	499.1	150.7	649.8
2001	52	487.5	--	--	487.5	143.9	631.4
2002	60	644.8	--	--	644.8	145.6	790.4
2003	74	722.0	--	--	722.0	151.9	873.9
2004	64	608.5	--	--	608.5	154.8	763.3
2005	32	721.9	--	--	721.9	168.2	890.1
2006	14	917.8	--	--	917.8	93.3	1011.1
2007	56	1316.1	--	--	1316.1	48.9	1365.0
2008	39	766.5	--	--	766.5	47.4	813.9
2009	32	559.6	--	--	559.6	58.2	617.8
2010	16	232.9	--	--	232.9	53.4	286.3
2011	--	20.2	--	--	20.2	--	20.2
2012	--	38.3	--	--	38.3	4.2	42.5
2013	--	22.1	--	--	22.1	1.1	23.2
<b>Subtotal</b>	<b>671</b>	<b>8658.2</b>	<b>--</b>	<b>246.3</b>	<b>8904.5</b>	<b>1509.3</b>	<b>10413.8</b>

# SARs: New Reporting Requirements

## *DAMIR Cost and Funding*

- Finally, recurring flyaway dollars are to be aligned with quantity to reflect the cost-quantity relationship of the current estimate

Cost Quantity Information		
Fiscal Year	Quantity	End Item Recurring Flyaway (Aligned with Quantity) BY 1996 \$M
1995	--	--
1996	24	163.4
1997	24	195.7
1998	44	266.4
1999	66	402.5
2000	74	473.3
2001	52	443.5
2002	60	592.0
2003	74	636.0
2004	64	558.8
2005	32	623.9
2006	14	724.8
2007	56	1081.9
2008	39	591.1
2009	32	452.4
2010	16	250.3
2011	--	--
2012	--	--
2013	--	--
Subtotal	671	7456.0

## Nunn-McCurdy: Background

- Congressional unit cost reporting on Major Defense Acquisition Programs (MDAPs), i.e., ACAT IC/IDs
- Drafted by Senator Nunn in 1982 (Representative McCurdy co-sponsored)
- Required by Title 10, United States Code, Section 2433 “Unit Cost Reports (UCR)” and Section 2435 “Baseline Description”
- Significant change to Nunn-McCurdy provisions by FY 2006 National Defense Authorization Act and the Weapons Systems Acquisition Reform Act of 2009

## Nunn-McCurdy: Reporting Criteria

- Two unit cost criteria (in base-year dollars):
  - *Program Acquisition Unit Cost (PAUC)*
  - *Average Procurement Unit Cost (APUC)*
- Definitions:
  - $PAUC = [Total\ Development\ \$ + Procurement\ \$ + Construction\ \$] / Total\ program\ quantity$
  - $APUC = Total\ Procurement\ \$ / Procurement\ quantity$

# Nunn-McCurdy: Tracking Unit Costs

Compare **Current Estimate** to **Current Baseline Estimate**  
and to **Original Baseline Estimate**

- *Current Estimate* – Latest estimate of approved program
- *Current Baseline Estimate* – currently approved Acquisition Program Baseline (APB)
- *Original Baseline Estimate* – APB approved at MS B or program initiation, whichever occurs later

	“Significant” Breach	“Critical” Breach
Current Baseline Estimate	+15%	+25%
Original Baseline Estimate	+30%	+50%



# Nunn-McCurdy: Reporting Requirements

- For “Significant” breaches,
  - Service Secretary notifies Congress within 45 days of unit cost report (e.g., program deviation report)
  - DoD submits a Selected Acquisition Report (SAR) with required unit cost breach information

# Nunn-McCurdy: Reporting Requirements

- For “Critical” breaches,
  - In addition to notification and SAR, the USD(AT&L) shall (after consultation with the Joint Requirements Oversight Council (JROC)):
    - (1) determine the root cause(s) of the critical cost growth
    - (2) in consultation with the Director, Cost Assessment and Program Evaluation (CAPE), carry out an assessment of --
      - (A) the projected cost of completing the program if current requirements are not modified;*
      - (B) the projected cost of completing the program based on reasonable modification of such requirements;*
      - (C) the rough order of magnitude of the costs of any reasonable alternative or capability; and*
      - (D) the need to reduce funding for other programs due to growth in the cost of the program.*

# Nunn-McCurdy: Reporting Requirements

- For “Critical” breaches,
  - After conducting the root cause analysis and the cost assessment, the USD(AT&L) shall terminate the program, unless a written certification (with supporting explanation) is submitted to Congress within 60 days of the SAR that:
    - (1) the continuation of the program is essential to national security;*
    - (2) there are no alternatives to the program which will provide acceptable capability to meet the joint military requirement at less cost;*
    - (3) the new estimates of the PAUC or APUC have been determined by the Director, CAPE to be reasonable;*
    - (4) the program is a higher priority than programs whose funding must be reduced to accommodate the growth in the cost of the program; and*
    - (5) the management structure for the program is adequate to manage and control PAUC or APUC*

## Nunn-McCurdy: Requirements If Program Is Not Terminated

- (A) Restructure the program in a manner that addresses the root cause(s) of critical cost growth and ensure that the program has an appropriate management structure
- (B) Rescind the most recent Milestone (or Key Decision Point (KDP)) for space program) approval and withdraw any certification (Section 2366a or 2366b)
- (C) Require a new Milestone (or KDP) approval before taking any contract action to:
  - enter a new contract,
  - exercise an option under an existing contract, or
  - otherwise extend the scope of an existing contract, *except to the extent determined by the Milestone Decision Authority (MDA) (on a non-delegable basis) to ensure the program can be restructured as intended by the Secretary without unnecessarily wasting resources*
- (D) Include in the next annual SAR, a description of all funding changes made as a result of the growth in cost of the program, including funding reductions for other programs to accommodate the cost growth
- (E) Conduct regular reviews of the program (at least semi-annually until one year after the program receives a new milestone approval)

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## **Nunn-McCurdy: Actions If Program Is Terminated**

- Secretary will submit a report to Congress stating:
  - (1) An explanation of the reasons for terminating the program,
  - (2) The alternatives considered to address any problems in the program, and
  - (3) How the DoD plans to meet any continuing joint military requirements intended to be met by the program

# Nunn-McCurdy: Timelines

<b>Determination Date (by Service Secretary)</b>	<b>SAR Reporting Breach Information</b>	<b>SAR Submitted to Congress</b>	<b>Certification Due Date (SAR + 60 Days)</b>
October 1 – President's Budget	December SAR	President's Budget + 60 Days (1st Week of April)	1st Week of June
President's Budget – March 31	March SAR	May 15	July 14
April 1 – June 30	June SAR	August 14	October 13
July 1 – September 30	September SAR	November 14	January 13

## Notes:

1. Nunn-McCurdy Breaches must be reported via UCR/PDR submitted by the PM to the SAE. Congressional notifications of Nunn-McCurdy breaches must be submitted to Congress within 45 days of the UCR/PDR date.
2. Certifications are required for critical Nunn-McCurdy breaches ( $\geq 25\%$  to current APB,  $\geq 50\%$  to original APB).

## *Nunn-McCurdy: Penalties*

- Suspension of Obligations
  - If either SAR or certification are not submitted on time, funds appropriated for military construction, for research, development, test, and evaluation, and for procurement may not be obligated for a major contract under the program
    - For “Significant” breaches, obligational authority is lost if SAR is not submitted on time
    - For “Critical” breaches, obligational authority is lost if certification is not submitted on time (SAR must be submitted no later than certification)
  - Suspension shall cease to apply after 30 days of continuous session of Congress (starting from the date of receipt of SAR/certification)

# Nunn-McCurdy: Current Baseline Breaches

Service	≥ 10% < 15% (Near Breach)	≥ 15% and < 25% ("Significant")	≥ 25% ("Critical")
Army	<b>ATIRCM/CMWS</b> (potential "Critical" breach)		<b>ARH</b> (USD(AT&L) did not certify; program terminated October 2008)
Navy	<b>DDG 1000</b> (potential "Critical" breach) <b>RMS</b> (potential "Critical" breach)	<b>H-1 Upgrades</b> (Congressional notification December 18, 2008)	<b>E-2D AHE</b> (USD(AT&L) certified program on June 11, 2009) <b>VH-71</b> (Congressional notification January 28, 2009; program cancelled by PB10)
Air Force	<b>C-130 AMP</b> (potential "Critical" breach) <b>Global Hawk</b> (potential "Significant" breach) <b>SDB</b> (potential "Significant" breach) <b>WGS</b> (potential "Critical" breach)		<b>AEHF</b> (USD(AT&L) certified program on December 29, 2008)
DoD	<b>JTRS GMR</b> (+24%) (Revised January 2008 APB may not reset Nunn-McCurdy baselines)		



# Nunn-McCurdy: Original Baseline Breaches

Service	≥ 20% < 30% (Near Breach)	≥ 30% and < 50% ("Significant")	≥ 50% ("Critical")
Army	<b>PAC-3</b> (+25%) <b>STRYKER</b> (+26%)  <b>ATIRCM/CMWS</b> (potential "Critical" breach)	<u>Previously Reported:</u> <b>ATIRCM/CMWS</b> (+49%) (Dec 05 SAR)	<b>ARH</b> (USD(AT&L) did not certify; program terminated October 2008)
Navy	<b>DDG 1000</b> (potential "Critical" breach)  <b>RMS</b> (potential "Critical" breach)	<u>Previously Reported:</u> <b>F/A-18</b> (+33%) (Dec 05 SAR) <b>MH-60S</b> (+44%) (Dec 05 SAR) <b>VA CLASS</b> (+40%) (Dec 05 SAR)	<b>VH-71</b> (Congressional notification January 28, 2009, program cancelled by PB10)
Air Force	<b>C-130 AMP</b> (potential "Critical" breach)  <b>WGS</b> (potential "Critical" breach)		<b>AEHF</b> (USD(AT&L) certified program on December 29, 2008)
DoD		<u>Previously Reported:</u> <b>F-35 (JSF)</b> (+38%) (Dec 05 SAR)	

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# SAR and Nunn-McCurdy Policy Update

Back-Up Slides

## Programs With Pre-Existing Significant Breaches

- As of January 6, 2006, when the FY 2006 NDAA was enacted, DoD had 11 programs with unit cost increases of more than 30% but less than 50% to their original baseline estimate. Congress did not permit the original baseline estimate to be revised for these programs :

**Army**: ATIRCM/CMWS

**Navy**: EFV, F/A-18E/F, MH-60S, SSN 774 Virginia Class

**Air Force**: C-130 AMP, JASSM, JPATS

**DoD**: Chem Demil-CMA, Chem Demil-CMA Newport,  
F-35 (Joint Strike Fighter)

## Programs With Pre-Existing Critical Breaches

- As of January 6, 2006, when the FY 2006 NDAA was enacted, DoD had 25 programs with unit cost increases of more than 50% to their original baseline estimate. Congress permitted the original baseline estimate to be revised to the current baseline estimate for these programs :

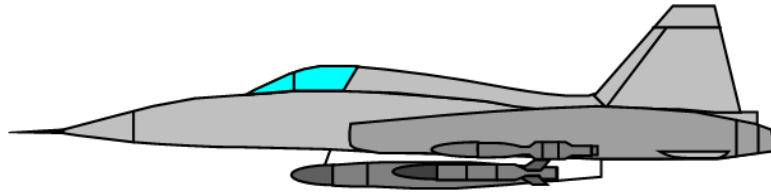
**Army**: Black Hawk Upgrade, Bradley Upgrade, CH-47F, FCS, FMTV, GMLRS, Javelin, Longbow Apache

**Navy**: ASDS, H-1 Upgrades, JSOW, LPD 17, MH-60R, T-45TS, Trident II Missile, V-22

**Air Force**: AEHF, AMRAAM, C-17A, EELV, F-22, Global Hawk, MM III GRP, NPOESS, SBIRS High

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# Thank You for Your Attention



## Any Questions?

